

ECONOMIC DEVELOPMENT COMMITTEE

DATE: April 20, 2005

CALLED TO ORDER: 5:13 p.m.

ADJORNED: 6:10 p.m.

ATTENDANCE

ATTENDING MEMBERS

Jackie Nytes, Chair
Virginia Cain
Lonnell Conley
Joanne Sanders

ABSENT MEMBERS

Patrice Abdullah
Marilyn Pfisterer
Isaac Randolph, Jr.

AGENDA

INDIANAPOLIS DOWNTOWN INC. - 2004 DOWNTOWN ECONOMIC

INDICATORS: Terry Sweeney, Vice President of Real Estate Development and Julia Watson, Vice President of Marketing and Communications

UPDATE ON TAX INCREMENT FINANCING DISTRICTS: Jennifer Weflen, Deputy Director, Indianapolis Bond Bank and Marya Overby, Special Counsel for Economic Development, Mayor's Office

ECONOMIC DEVELOPMENT COMMITTEE

The Economic Development Committee of the City-County Council met on Wednesday, April 20, 2005. Chair Jackie Nytes called the meeting to order at 5:13 p.m. with the following members present: Virginia Cain, Lonnell Conley and Joanne Sanders. Absent were Patrice Abdullah, Marilyn Pfisterer and Isaac Randolph.

UPDATE ON TAX INCREMENT FINANCING DISTRICTS: Jennifer Weflen, Deputy Director, Indianapolis Bond Bank and Marya Overby, Special Counsel for Economic Development, Mayor's Office

Chair Nytes asked Ms. Weflen and Ms. Overby to bring the Council up to date on the City's tax increment financing districts (TIF).

Ms. Weflen said they would do an overview of TIFs in Indianapolis. Ms. Overby said TIFs are an excellent tool for economic development. She said Mayor Bart Peterson administration's position is that TIFs should be used judiciously and only after meaningful review of the pros and cons of its use. TIF is financing that applies to economic development and all or part of a redevelopment area. It is the difference between property taxes collectible at the time of creation of the TIF area and at the time of collections. That is the incremental increase. The funds collected from TIF can be used to secure bonds for redevelopment, for infrastructure, parking facilities and other public improvements in the allocation area.

Ms. Overby said positive attributes to TIF financing are development of certain projects that would not happen without TIF financing and immediate and rewarding results for the TIF districts. Some examples include the residential district at Fall Creek Place and the downtown mall TIF.

She said some difficulties of TIF districts are that the financing occurs over a long period of time, and it is controversial with schools, neighborhoods and townships because they perceive TIF as taking funds away. One example of this is the United Airlines project. It was initially a good project, but due to 9/11 United went bankrupt. The TIF for development of United will not be paid off until the bonds are paid off.

Ms. Overby said there is no formula to determine a TIF district. It is done on a case by case analysis. Some factors considered in the analysis are thoughts of the neighborhood and schools, whether the project is likely to happen without a TIF, jobs, capital investment, and overall positive economic impact on the community.

Councillor Conley said the Fall Creek Place is a prime example for the use of TIF.

Chair Nytes asked if TIFs are limited to Indianapolis or if the program is statewide. Ms. Overby answered said the program is statewide.

Ms. Weflen said the Bond Bank and the Controller's Office conduct an annual review of the TIFs because the Metropolitan Development Commission (MDC) is required to pass a resolution to ask the County Auditor to collect a certain amount in the TIFs to pay for debt service. After the resolution is approved by the MDC it is sent to the Auditor's Office for distribution of collections. The tools used in the review are based on best knowledge at the time. It is not perfect and it is not exact. Over the last several years there were challenges previewing what was going to happen because of the many changes that affect TIFs, such as reassessments and tax rates. She said the handout shows the TIFs in Indianapolis (Attachment A). All the TIFs are associated with redevelopment areas.

Ms. Weflen said the first TIF on the list is the Consolidated TIF, which was several TIFs in the downtown area that were consolidated. It was created in 1982-83 in anticipation of the Circle Centre Mall downtown. The most recent use of TIF bonds was for the City's support of Simon's new headquarters downtown. The Harding Street TIF was created for infrastructure improvements around Eli Lilly headquarters. This bond issue has a taxpayer guarantee, which means that Eli Lilly makes up the difference of any shortfalls in money collected. The Barrington Housing TIF has never had debt associated with the project. It has always been used for funding housing improvements and other infrastructure improvements. The Fall Creek/Citizens Housing TIF is for the Fall Creek Place infrastructure. Part of the TIF is in the Citizens redevelopment area, which started in 1990; it was expanded in 2001 to include all of the homeowners and to back bond issues in 2004 for the redevelopment of the area. The United Northwest TIF was intended to be used for community development. There is no debt associated with this TIF yet. Chair Nytes said the area is in the process of receiving a new post office, new businesses are moving in, and the community development corporation in the area has done a lot of housing in the area.

Ms. Weflen said the airport TIFs are divided into two areas, Decatur and Wayne. The Decatur Economic Development Area improvements were pledged to the Ameriplex improvements, and the TIF in Wayne went to the United facility. There was a provision that allows TIF collected in the Ameriplex district to help fund the underfunded United facility bond. It allows the City to not use general funds to pay the debt. The 96th Street /Castleton Economic Development Area has been very successful in generating investment. It funded bridge improvements in the 96th Street/Castleton area, spanning both Washington and Lawrence Townships. The 86th Street TIF was to attract Dow Elanco and it has been successful. Brookville/Senour Economic Development Area is associated with the Parks Department and the construction of the Whispering Hills Golf Course. Not only are TIFS used to pay the bonds, but the profits are also used to pay for the bond issue. The Glendale TIF was used for infrastructure of the redevelopment of Glendale Mall. It also helped fund some of the Canal, improvements downtown, and a fire station. The

Martindale/Brightwood TIF was created to support the Keystone Industrial Park. The Meridian TIF is now the Continental Apartments on Meridian Street. It is the old Lionel Artis Building. The Meridian II TIF is for redevelopment of the area's apartment buildings.

Ms. Weflen said the second handout explained the debt service for the TIF, and the third handout showed collections from each TIF district. She said the TIFs collected \$21 million more than what was reflected in the 2004 budget. Fourteen million comes from the Consolidated TIF. All of the money collected is assigned to pay debt according to the seniority of the debt. Some money can be set aside for appeals. Extra money collected helps to pay appeals, pay off notes faster or is used for the reserve fund. Money can only be used to pay back bonds and cannot be used any other way.

The Ameriplex TIF is associated with the Airport, and \$2.4 million more is collected than was predicted in 2004. Money collected from this TIF is used to pay debt for the United facility bond.

The 96th Street TIF is used for road improvements and collected approximately \$1.1 million more than was budgeted in 2004.

Councillor Sanders asked if money went directly to service the debt. Ms. Weflen said the Meridian II has not started to make any increments. Glendale debt was paid off in 2004.

Chair Nytes asked if the TIF legislation at the Statehouse was passed during the 2004 legislative session. Ms. Weflen said the bill was in conference committee. Chair Nytes thanked Ms. Welfen and Ms. Overby for their presentation and said that the TIF was a helpful tool for the entire community.

(Clerk's Note: Recess from 5:40p.m. to 5:45 p.m.)

INDIANAPOLIS DOWNTOWN INC. - 2004 DOWNTOWN ECONOMIC

INDICATORS: Terry Sweeney, Vice President of Real Estate Development and Julia Watson, Vice President of Marketing and Communications

Chair Nytes stated that Indianapolis Downtown Inc. (IDI) would provide a presentation on 2004 downtown indicators.

Terry Sweeney said they have tracked the key indicators for downtown, benchmarking the health and success of downtown over the years. He said one of the key things they try to track is investment downtown. The first slide (see attachment B) shows the amount of investment in downtown since 1998. He said the City is averaging 20 projects completed each year. Since 1998 \$2.4 billion has been invested downtown. Sixty-six projects are in the pipeline for completion in 2005 –2010 with a value of \$2.7 billion.

Two key indicators and focus areas are life sciences and residential projects. Since 2000 life sciences projects totaling \$818.2 million have been completed. Residential projects include 1,743 residential units totaling \$187.4 million with prices starting at \$150,000.

Downtown office inventory office space has decreased in the last couple of years. Approximately 600,000 square feet has come off the market, mostly because the office space was turned into residential space. Downtown office vacancy peaked to 19.90% in

2001 and since that time has decreased to 15.30% in 2004. The suburban market is currently at 18.32%. Downtown Indianapolis is still the strongest market average. Rental rates peaked in 2000 to \$17.58, and currently it is \$16.97. The vacancy rate has gone down over the last three years, while at the same time the inventory decreased. Indianapolis has less supply and lower rates; therefore, we have a strong and stable market, considering the economy.

The number of downtown homes and condominiums has increased over the last couple of years, the average appreciation of homes has increased for single families.

Chair Nytes asked for the boundaries of the downtown district. Mr. Sweeney said they worked with the Metropolitan Indianapolis Board of Realtors and the boundaries are approximately 16th Street on the north, I-65 & I-70 on the east, I-70 on the south and the west bank of the White River on the west. Chair Nytes said that is a large area, but it is exciting for single family housing. Mr. Sweeney said the condominiums that are new to the market are upscale. He said downtown is a good place to invest money in a home. Community Development Corporations do a good job providing housing and more developers are incorporating affordable housing into their development.

Mr. Sweeney said the supply of apartments has increased by 46% since 1994, and there are 3,284 units downtown. From 1994 to 2002 the vacancy rate was stable. Recently the number went to 9.2 % in 2003 and 10.5% in 2004. Affordable interest rates contributed to this because people could purchase homes at the same mortgage amount as renting an apartment. This is a trend across Indianapolis, but downtown continues to be the strongest submarket. The average rental rate peaked in 2002, and now it has leveled out. Part of that is supply and affordable interest rates. Chair Nytes asked if the inventory was changing much for apartments. Mr. Sweeney said last year the number increased by 70 units and there is approximately 150 apartment units in the pipeline and will be completed in the next two to three years. Chair Nytes asked if interest rates were going back up. Mr. Sweeney answered in the affirmative and said apartment rentals are a strong market.

Mr. Sweeney said that in 2004 college enrollment downtown totaled 44,000 with Indiana University- Purdue University having the largest number of students.

Julia Watson said IDI tracked 27 attractions for downtown visitation in 2004. In 1994 the number of attractions was 14. In the same timeframe attendance has dramatically increased. Last year attendance was 16.9 million visits, and in 2003 it was 16.6 million visits. If the 14 attractions from 1994 were tracked and compared to their attendance in 2004, there would be an increase of 4%. This includes places like the Indianapolis Museum of Art (IMA) that was not open in most of 2004 because of construction. The numbers for 2005 are expected to be higher because the IMA will reopen, and the Eiteljorg will open its expansion.

Ms. Watson said in 2004 the number of convention delegates was 821,830, which was an increase of nine percent compared to 2003. It is 32 percent higher than 1994, which had 621,612 convention delegates. In 2004 the supply of hotel rooms decreased because the

Indianapolis Athletic Club closed, which means the City's supply of rooms decreased by one percent. In 2004 there were 5,484 downtown hotel rooms, which is a 48 percent increase or 1,777-room increase compared to 1995. Ms. Watson said occupancy for downtown hotels was 61% in 2004. In 1994 the occupancy rate was 66%. She said downtown hotels state they probably had an occupancy rate closer to 70% in 2004. She said Smith Travel Research supplied the information. Although the number of rooms has increased the rates have remained consistent. The average room rate is approximately \$105.00 per room per night. That is a 3% increase from 2003 and a 49% increase from 1994. The rate is considered a competitive price.

The Indianapolis Cultural Development Commission asked IDI to work with the cultural districts to help prepare development plans to create and launch identities for the districts. IDI is in the early phases of rolling out the identities. There has been a lot of work from the six cultural district stakeholders (Broad Ripple, the Canal and White River State Park, Fountain Square, Indiana Avenue, Massachusetts Avenue, and the Wholesale District). The development plan campaign started in December 2004, and the volunteers put together a comprehensive and compelling statement of what each district offers. The exciting part about the Cultural Districts is that promotional pieces are now available. Ms. Watson said they have district guides, websites for each district, and a television campaign has now started. The television campaign is in conjunction with Channel 8, UniVision, and WLVI. The campaign will encourage visitors and people in central Indiana to enjoy the businesses and cultural offerings in the six districts.

Chair Nytes, asked if the Council will get the report in print later. Ms. Watson answered in the affirmative.

Chair Nytes asked what is the vacancy rate at which the City should be concerned in terms of office space. Mr. Sweeney said 10% to 11%. He said the amount of space needed for each employee has decreased so less space is needed. Chair Nytes asked if it harder to fill some of the older downtown locations because of technological advances. Mr. Sweeney said benefits of operating downtown exceeds the cost of doing business downtown. He said the rental rate is the same as other locations but the problem is parking and taxes.

Councillor Sanders asked if there should be a closer working relationship with the building owners in getting their support for public transportation. Mr. Sweeney said there is a lot of interest from property owners and businesses in public transportation.

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CONCLUSION

With no further business, and upon motion duly made, the Economic Development Committee of the City-County Council was adjourned at 6:10 p.m.

Respectfully Submitted,

Jackie Nytes, Chair

JN/csp